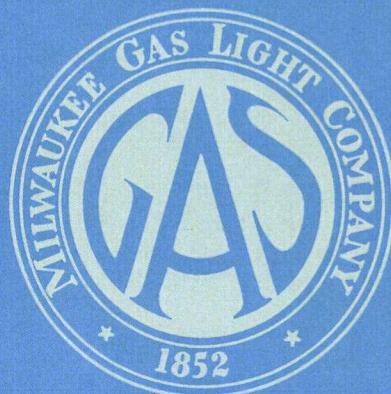


EXHIBIT 39

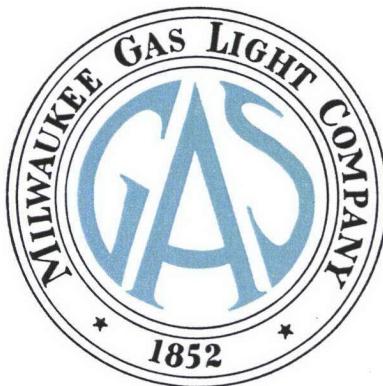
Map

MILWAUKEE GAS LIGHT COMPANY



Annual Report 1953

ANNUAL REPORT
TO
STOCKHOLDERS
1953



MILWAUKEE GAS LIGHT COMPANY
A Subsidiary of
AMERICAN NATURAL GAS COMPANY

This report is submitted for general information, and not in connection with, or to induce, any sale or offer to sell or to buy any securities.

MILWAUKEE GAS LIGHT COMPANY

BOARD OF DIRECTORS

E. GORDON BLACK	HENRY FINK
DUDLEY B. W. BROWN	RALPH T. McELVENNY
WILLIAM C. BUCHANAN	F. WAYNE SHARP
JOHN DERN	CHESTER O. WANVIG
WILLIAM G. WOOLFOLK	

OFFICERS

DUDLEY B. W. BROWN.....	President
E. GORDON BLACK.....	Vice President and Treasurer
ERWIN C. BRENNER.....	Vice President — Operations
BERNARD T. FRANCK.....	Vice President — Sales
JOHN J. DOLAN.....	Vice President — Personnel
PAUL J. IMSE.....	Vice President and Secretary
RICKARD H. LAURITZEN.....	Assistant Secretary and Attorney
EARL G. FRANK.....	Assistant Secretary and Assistant Treasurer
ROBERT J. JOHNSON.....	Assistant Secretary and Assistant Treasurer
MAGNUS ANDERSEN	Assistant Treasurer
CARL CLAUSSEN	Assistant Secretary
HUGH C. DALY	Assistant Secretary

GENERAL OFFICE

626 East Wisconsin Avenue, Milwaukee 1, Wisconsin.

MILWAUKEE GAS LIGHT COMPANY

Report to Stockholders

The year 1953 was the 102nd year of service of the Milwaukee Gas Light Company and its fourth year of natural gas distribution. Sales of gas, both in volume and dollars, again reached new peaks.

During the year a program designed to greatly increase the natural gas supply of the Company was commenced by the American Natural Gas Company system, of which this Company is a part.

EARNINGS

Net income for 1953 was \$1,919,556, comprised of \$1,687,931 earnings from utility operations and \$231,625 of dividends, after applicable income tax, from Milwaukee Solvay Coke Company. This compares with net income for the preceding year of \$1,744,096, of which \$1,549,531 was from utility earnings and \$194,565 from dividends, after income tax, from the Coke Company.

OPERATING REVENUES

Operating revenues for 1953 totaled \$23,114,691 compared with \$20,990,770 for the preceding year. A rate increase authorized in February, 1953 by the Public Service Commission of Wisconsin added approximately \$1,290,000 to operating revenues for the year.

At the close of the year the company had 231,668 customers, up 2,635 from the close of the preceding year. The continuation of restrictions on space heating was a retarding influence on the rate at which new customers were added. An order of the Public Service Commission of Wisconsin dated November 25, 1953, implementing a revision in the tariff of Michigan Wisconsin Pipe Line Company, from which Milwaukee Gas Light receives its natural gas supply, permitted the connection of 1,910 additional spaceheating customers. Not all of these, however, were able to install equipment in time to benefit the 1953 spaceheating load. At the end of 1953 there were 58,129 residential and commercial spaceheating customers, constituting 25% of the total number of customers in these categories.

Natural gas sales for 1953 were 197,170,000 therms, an increase of 12,800,000 therms over 1952.

The peak day sendout of natural gas, on December 17, 1953, reached a new high of 1,152,000 therms, exceeding 1952 by 135,000 therms. The extensive storage fields operated by Michigan Wisconsin Pipe Line Company were very valuable in meeting the heavy peak day requirements.

GAS SUPPLY

The Company needs large additional supplies of natural gas to meet the demands of its markets. At the close of 1953 approximately 12,000 unsolicited applications for space-heating were on hand and, with adequate supplies of natural gas, the Company could readily double the number of its customers who would use this clean, convenient and efficient fuel for house heating and other domestic purposes. A large unfilled industrial market also exists.

In order to procure additional supplies of gas to meet the constantly increasing requirements of the market areas served by the American Natural Gas Company system, American Natural formed a new subsidiary, American Louisiana Pipe Line Company, which has entered into long-term contracts for approximately three trillion cubic feet of gas reserves in southern Louisiana. American Louisiana's application for authorization to construct and operate a new pipe line with an initial capacity of 300 million cubic feet of gas a day is now the subject of hearings before the Federal Power Commission. Construction of the proposed pipe line is expected to be completed in 1955. Gas deliveries by the new line to Michigan Wisconsin Pipe Line Company will permit removal of all restrictions on gas sales by Milwaukee Gas Light and make available the large volumes of natural gas required for the future growth of the Company.

OPERATING EXPENSES

Operating expenses for 1953 were \$20,288,787, an increase of \$1,900,403 over the preceding year. This rise was occasioned principally by an increase in the unit cost of gas, additional volumes of gas purchased, as well as higher payroll, tax, and depreciation costs.

The cost of natural gas for 1953 was 35¢ per thousand cubic feet as compared with 31.5¢ for most of 1952, an increase of \$771,593 in this item of expense for 1953. The current pipe line rate is effective under bond conditioned to require the refund to the distributing companies of any portion of the rate which the Federal Power Commission or the courts may ultimately find is not justified. Oral argument on the pending rate case of the pipe line was held before the Federal Power Commission on February 18, 1954.

During the year distribution facilities were strengthened and improved and a comprehensive program of main and service inspection pursued. Maintenance expenses increased \$359,831 over the previous year, principally as a result of extensive clamping of mains made necessary as a result of the relatively recent introduction of natural gas service. These higher costs were partially offset by a \$104,070 reduction in operating expenses. In the aggregate, operation and maintenance expenses were \$255,761 higher in 1953 than in 1952.

PROPERTY AND CONSTRUCTION

Utility plant aggregated \$61,989,512 at December 31, 1953 and includes an expenditure of \$5,625,170 during the year for additions and replacements, of which \$4,539,269 was for gas mains and services. Retirements of property amounted to \$630,404. Gas main construction included a new twenty-inch main connecting with the Michigan Wisconsin pipe line. This is the fourth, and second major, connection to the supplier's line and brings near completion an integrated and protective system of distributing natural gas to all portions of the Company's franchise area.

RATES

On February 16, 1953, the Public Service Commission of Wisconsin issued an order authorizing interim rates estimated to provide the Company additional annual revenues of approximately \$2,000,000 and to yield a return of 6.2% on the rate base. Under the Commission's order, the new rates did not become fully effective until the latter part of March, 1953. As a result, additional revenues from this increase were realized only in the last nine months of the year.

The revenues collected under the interim rates are subject to such refunds, if any, as may be required upon final determination of rates by the Commission. The Commission's order held open the determination of proper zone rates within the franchise area. Further hearings on this subject will be held before final zone rates are fixed.

FINANCING

To finance temporarily the Company's construction program in 1953 and 1954 and to repay bank loans of \$1,900,000, a loan agreement with six banks was entered into as of August 1, 1953. The agreement permits the Company to borrow an aggregate of \$9,000,000 on notes bearing interest at 3 1/4% per annum and maturing August 1, 1954. At the close of the year \$5,400,000 had been borrowed under this agreement. It is contemplated that long-term financing to retire the bank loans will be undertaken prior to the maturity of the loan agreement unless the notes are extended.

OPERATIONS OF SUBSIDIARY

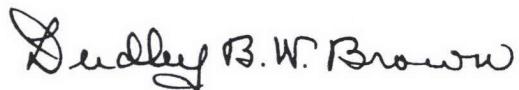
Milwaukee Solvay Coke Company is engaged in the production and sale of foundry, blast furnace, industrial and domestic coke, coke oven gas, and coal chemicals. The coal chemicals include ammonia, benzol, toluol, xylol, and pyridine. All of its common stock is owned by Milwaukee Gas Light Company.

Earnings of Milwaukee Solvay Coke Company for 1953 were \$555,112, an increase of \$88,218 over the preceding year.

During the year 261,241 tons of furnace coke were sold to steel mills, which established a new record for the Coke Company. Over 500 industries having foundry operations were served and the company's products were distributed in twenty-five states as far west as California and to four provinces in Canada. Due to reduced demand by steel companies, sales of coke have declined very substantially in recent months but it is expected that the market may improve later in the year.

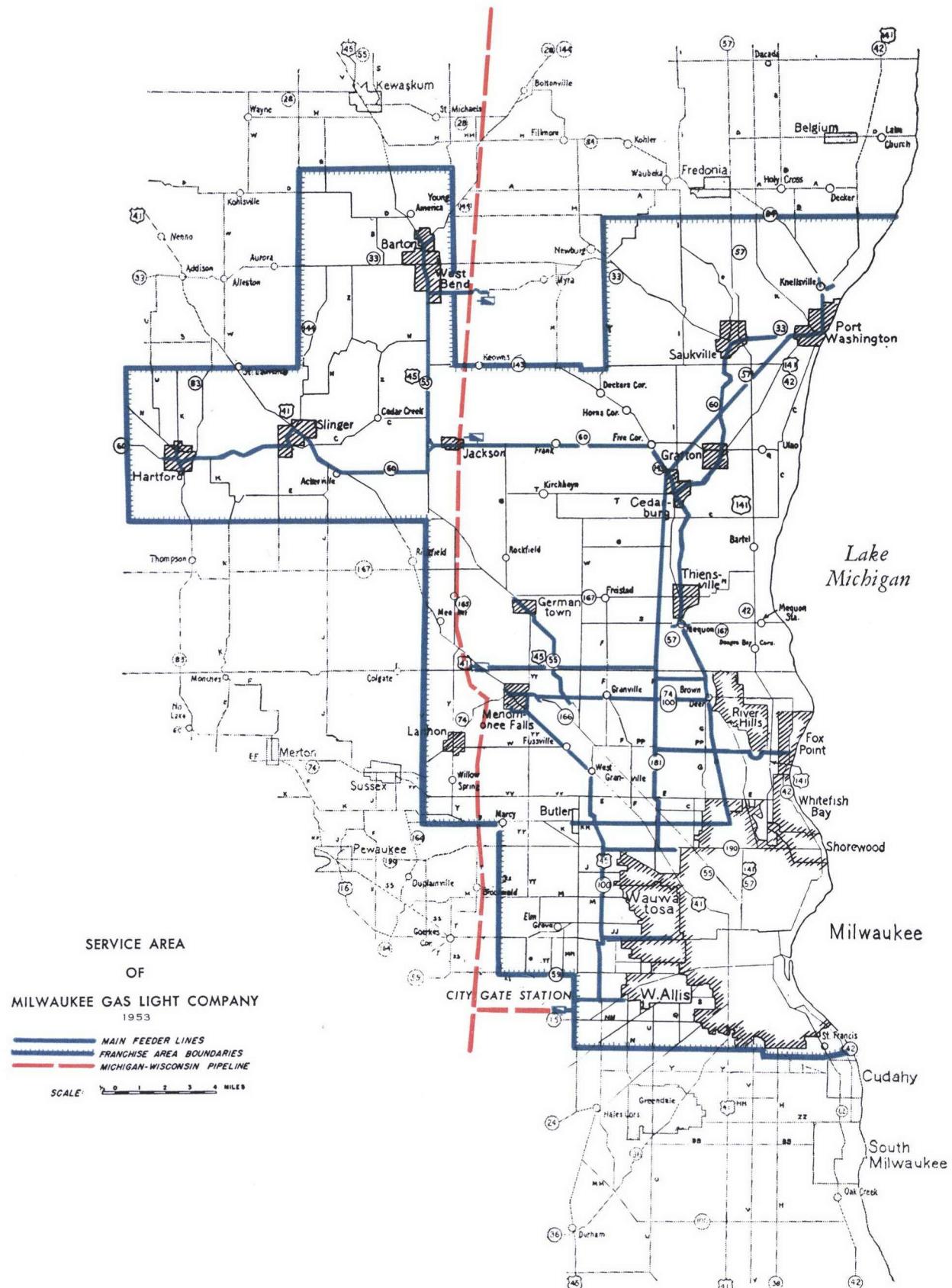
As a protection to the firm customers of the Gas Company, the producer gas and liquefied petroleum plants of the Coke Company are maintained in operating condition in order to furnish additional gas if needed. The Coke Company receives an annual fee from the Gas Company for this standby service.

Hearings before the Securities and Exchange Commission with respect to the retainability of the Coke Company within the American Natural Gas Company system, under the integration standards of Section 11 of the Holding Company Act, were concluded in 1953. In an opinion dated January 22, 1954, the Commission announced its decision permitting retention, reserving jurisdiction to reconsider the matter in the event of changed conditions.



President

March 17, 1954.



AUDITORS' CERTIFICATE

*To the Board of Directors,
Milwaukee Gas Light Company:*

We have examined the statements of financial position as of December 31, 1953, of MILWAUKEE GAS LIGHT COMPANY and of its subsidiary, MILWAUKEE SOLVAY COKE COMPANY (Wisconsin corporations), and the related statements of income and earnings retained in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously had made similar examinations for the year ended December 31, 1952.

In our opinion, the accompanying statements of financial position and statements of income and earnings retained in the business were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year and present fairly the financial positions of the Company and its subsidiary as of December 31, 1953, and the results of their operations for the year then ended.

ARTHUR ANDERSEN & Co.

Milwaukee, Wisconsin,
February 24, 1954.

MILWAUKEE GAS
STATEMENT OF FI

PROPERTY AND OTHER ASSETS

	December 31	
	1953	1952
UTILITY PLANT , at original cost	\$61,989,512	\$56,994,746
Less—Reserve for depreciation	11,388,815	10,864,924
	<hr/>	<hr/>
	\$50,600,697	\$46,129,822

INVESTMENT in Milwaukee Solvay Coke Company, 100% common stock interest, at cost	\$ 4,372,472	\$ 4,372,472
	<hr/>	<hr/>

CURRENT ASSETS:

Cash	\$ 1,795,539	\$ 1,574,441
Accounts receivable, less reserves of \$37,375 and \$41,420, respectively.	2,917,318	2,604,495
Materials and supplies	1,711,899	2,092,228
Prepayments	68,289	86,416
	<hr/>	<hr/>
	\$ 6,493,045	\$ 6,357,580

DEFERRED CHARGES:

Natural gas conversion costs and related expenses, being amortized..	\$ 3,174,823	\$ 3,663,253
Debt discount, redemption premium and expense, applicable to refund- ed issue, being amortized	228,546	332,946
Other	179,112	117,454
	<hr/>	<hr/>
	\$ 3,582,481	\$ 4,113,653
	<hr/>	<hr/>
	\$65,048,695	\$60,973,527

LIGHT COMPANY

ANCIAL POSITION

STOCKHOLDERS' EQUITY AND LIABILITIES

	December 31	
	1953	1952
STOCKHOLDERS' EQUITY:		
Common stock, par value \$12 per share—authorized 2,000,000 shares—outstanding 1,613,408 shares	\$19,360,896	\$19,360,896
Earnings retained in the business (\$1,100,326 restricted by indenture provisions against cash dividends on common stock)	3,355,272	3,049,124
Total stockholders' equity	<u>\$22,716,168</u>	<u>\$22,410,020</u>
LONG-TERM DEBT:		
First mortgage bonds, 3 1/8% series due 1975..... 3 3/8% sinking fund debentures due 1970.....	\$26,528,000 5,640,000	\$27,000,000 5,760,000
	<u>\$32,168,000</u>	<u>\$32,760,000</u>
NOTES PAYABLE TO BANKS , 3 1/4%, due August 1, 1954.....	<u>\$ 5,400,000</u>	<u>\$ 1,000,000</u>
OTHER LIABILITIES:		
Current maturities of long-term debt.....	\$ 120,000	\$ —
Accounts payable	1,121,390	1,390,362
Due to Milwaukee Solvay Coke Company.....	17,549	28,973
Dividends declared	403,352	403,352
Customers' deposits	55,563	54,242
General taxes	46,408	51,658
Federal and State income taxes.....	2,104,665	1,799,281
Interest	213,965	187,284
Other	356,152	567,143
	<u>\$ 4,439,044</u>	<u>\$ 4,482,295</u>
RESERVES	<u>\$ 67,835</u>	<u>\$ 71,714</u>
CONTRIBUTIONS IN AID OF CONSTRUCTION	<u>\$ 257,648</u>	<u>\$ 249,498</u>
	<u><u>\$65,048,695</u></u>	<u><u>\$60,973,527</u></u>

MILWAUKEE GAS LIGHT COMPANY

STATEMENT OF INCOME

	Year Ended December 31	
	1953	1952
OPERATING REVENUES	\$23,114,691	\$20,990,770
OPERATING EXPENSES:		
Gas purchased	\$ 8,497,475	\$ 7,240,191
Operation	5,454,473	5,558,543
Maintenance	1,946,346	1,586,515
Amortization of natural gas conversion costs and related expenses...	488,431	488,431
Depreciation	1,081,128	951,932
Taxes—		
State, local and miscellaneous Federal.....	1,111,434	1,065,272
Federal and State income	1,709,500	1,497,500
Total operating expenses	\$20,288,787	\$18,388,384
Operating income	\$ 2,825,904	\$ 2,602,386
OTHER INCOME (net)	115,180	103,402
Gross income	\$ 2,941,084	\$ 2,705,788
INCOME DEDUCTIONS:		
Interest on long-term debt.....	\$ 1,036,990	\$ 1,041,986
Amortization of debt discount, premium and expense.....	106,410	106,606
General interest	82,205	5,599
Interest charged to construction—credit*.....	7,424*	15,963*
Other	34,972	18,029
Total income deductions.....	\$ 1,253,153	\$ 1,156,257
NET INCOME FROM UTILITY OPERATIONS	\$ 1,687,931	\$ 1,549,531
DIVIDENDS from Milwaukee Solvay Coke Company, less Federal income taxes	231,625	194,565
NET INCOME	<u>\$ 1,919,556</u>	<u>\$ 1,744,096</u>

NOTE: The Public Service Commission of Wisconsin on February 16, 1953, authorized interim rates designed to produce additional revenues of approximately \$2,000,000 annually. The revenues collected under the interim rates are subject to such refunds, if any, as may be required upon the final determination of rates by the Commission.

MILWAUKEE GAS LIGHT COMPANY

STATEMENT OF EARNINGS RETAINED IN THE BUSINESS

Year Ended December 31, 1953

BALANCE—DECEMBER 31, 1952	.....	\$3,049,124
NET INCOME	.....	1,919,556
		<hr/>
		\$4,968,680
DIVIDENDS ON COMMON STOCK	.....	1,613,408
		<hr/>
BALANCE—DECEMBER 31, 1953 (\$1,100,326 restricted by indenture provisions against cash dividends on common stock)	.....	\$3,355,272
		<hr/>

MILWAUKEE SOLVAY COKE COMPANY

BOARD OF DIRECTORS

E. GORDON BLACK	HENRY FINK
DUDLEY B. W. BROWN	PETER J. HAEFFNER
ERNEST F. BURDICK	LOUIS G. KREUZ
JOHN DERN	RALPH T. MC ELVENNY
F. WAYNE SHARP	

OFFICERS

LOUIS G. KREUZ.....	President
ERNEST F. BURDICK.....	Executive Vice President
OWEN J. PRITCHARD.....	Vice President — Operations
FRED H. BOHL.....	Vice President — Sales, Coal Purchases and Traffic
ALFRED BRILL.....	Vice President — Industrial and Personnel Relations
PETER J. HAEFFNER.....	Secretary and Treasurer
LAWRENCE J. BENNETT.....	Assistant Secretary and Assistant Treasurer
CARL CLAUSSEN.....	Assistant Secretary and Assistant Treasurer
HUGH C. DALY.....	Assistant Secretary

GENERAL OFFICE

311 East Greenfield Avenue, Milwaukee 1, Wisconsin

SALES OFFICE

740 North Milwaukee Street, Milwaukee 1, Wisconsin

MILWAUKEE SOLVAY COKE COMPANY

STATEMENT OF FINANCIAL POSITION

PROPERTY AND OTHER ASSETS

	December 31	
	1953	1952
PROPERTY, PLANT AND EQUIPMENT, at cost.....	\$11,233,396	\$11,038,828
Less—Reserve for depreciation	8,143,512	8,094,684
	<hr/>	<hr/>
	\$ 3,089,884	\$ 2,944,144
CURRENT ASSETS:		
Cash	\$ 655,459	\$ 569,573
United States Government securities.....	1,196,059	497,936
Accounts receivable, less reserve of \$3,785.....	537,803	997,004
Due from Milwaukee Gas Light Company.....	17,549	28,973
Materials and supplies	2,996,889	3,397,301
Prepayments	44,588	51,750
	<hr/>	<hr/>
	\$ 5,448,347	\$ 5,542,537
	<hr/>	<hr/>
	\$ 8,538,231	\$ 8,486,681
	<hr/>	<hr/>

STOCKHOLDERS' EQUITY AND LIABILITIES

	December 31	
	1953	1952
STOCKHOLDERS' EQUITY:		
Common stock, par value \$100 per share—authorized and outstanding, 35,000 shares	\$ 3,500,000	\$ 3,500,000
Earnings retained in the business (\$1,171,694 restricted by bank loan agreement against cash dividends on common stock)	2,138,914	1,833,802
	<hr/>	<hr/>
Total stockholders' equity	\$ 5,638,914	\$ 5,333,802
NOTES PAYABLE TO BANKS, 3%, 3 1/4%, maturing serially to 1956.....	600,000	900,000
	<hr/>	<hr/>
Total capitalization	\$ 6,238,914	\$ 6,233,802
	<hr/>	<hr/>

	December 31	
	1953	1952
CURRENT LIABILITIES:		
Current maturities of notes payable.....	\$ 300,000	\$ 300,000
Accounts payable	86,452	39,968
Dividend payable	62,500	—
Customer advances	—	525,000
General taxes	288,143	277,672
Federal and State income taxes.....	921,212	584,615
Other	268,099	277,363
	<hr/>	<hr/>
	\$ 1,926,406	\$ 2,004,618
	<hr/>	<hr/>

	December 31	
	1953	1952
RESERVES	\$ 372,911	\$ 248,261
	<hr/>	<hr/>
	\$ 8,538,231	\$ 8,486,681
	<hr/>	<hr/>

MILWAUKEE SOLVAY COKE COMPANY

STATEMENT OF INCOME

	Year Ended December 31	
	1953	1952
OPERATING REVENUES:		
Coke and coal chemicals	\$12,408,288	\$11,071,810
Gas	781,540	778,093
Total operating revenues	<u>\$13,189,828</u>	<u>\$11,849,903</u>
OPERATING EXPENSES:		
Operation	\$10,370,644	\$ 9,448,799
Maintenance	966,397	964,412
Depreciation	129,371	121,736
Taxes—		
State, local and miscellaneous Federal	321,337	321,245
Federal and State income	639,702	416,850
Federal excess profits	98,300	—
Provision for deferred income taxes	123,623	104,751
Total operating expenses	<u>\$12,649,374</u>	<u>\$11,377,793</u>
Operating income	<u>\$ 540,454</u>	<u>\$ 472,110</u>
OTHER INCOME (net)	44,658	32,198
Gross income	<u>\$ 585,112</u>	<u>\$ 504,308</u>
INTEREST DEDUCTIONS	30,000	37,414
NET INCOME	<u>\$ 555,112</u>	<u>\$ 466,894</u>

NOTE: The Company has a Certificate of Necessity covering the construction of certain facilities. It has charged to income as a provision for deferred income taxes, and credited to a reserve, an amount equal to the reduction in income taxes due to the accelerated amortization of these facilities over a five-year period as permitted for tax purposes.

MILWAUKEE SOLVAY COKE COMPANY

STATEMENT OF EARNINGS RETAINED IN THE BUSINESS

Year Ended December 31, 1953

BALANCE—DECEMBER 31, 1952	.....	\$1,833,802
NET INCOME	.....	555,112
		<hr/>
		\$2,388,914
DIVIDENDS ON COMMON STOCK	.....	250,000
		<hr/>
BALANCE—DECEMBER 31, 1953 (\$1,171,694 restricted by bank loan agreement against cash dividends on common stock)	.....	\$2,138,914
		<hr/>